Exhibit B

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF GEORGIA
SAVANNAH DIVISION**

In re:	)	Case No. 05-40129
	)	
FRIEDMAN'S INC., et al.,	)	Chapter 11
	)	Jointly Administered
	)	
	)	Hon. Lamar W. Davis, Jr.
Debtors.	)	

**MOTION FOR ORDER AUTHORIZING THE DEBTORS
TO IMPLEMENT A KEY EMPLOYEE COMPENSATION PROGRAM**

Friedman's Inc. ("Friedman's") and seven of its subsidiaries and affiliates, debtors and debtors-in-possession in the above-captioned cases (collectively, the "Debtors"), hereby move (the "Motion") for an order, substantially in the form attached hereto as Exhibit 1, pursuant to sections 105(a) and 363(b)(1) authorizing the Debtors to implement a key employee compensation program. In support of this Motion, the Debtors respectfully represent as follows:

BACKGROUND

1. On January 14, 2005 (the "Petition Date"), the Debtors each filed a voluntary petition in this Court for reorganization relief under chapter 11 of the United States Code, 11 U.S.C. §§ 101-1330 (as amended, the "Bankruptcy Code"). The Debtors continue to operate their businesses and manage their properties as debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

358

2. On January 24, 2005, the United States Trustee appointed an official committee of unsecured creditors (the "Creditors' Committee") in these cases. No trustee or examiner has been appointed.

3. This Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409. This matter is a core proceeding pursuant to 28 U.S.C. § 157(b).

4. The statutory predicates for the relief requested herein are sections 105(a) and 363(b)(1) of the Bankruptcy Code.

RELIEF REQUESTED

5. By this Motion, the Debtors seek authority, under sections 105(a) and 363(b)(1) of the Bankruptcy Code, to implement a key employee compensation program (the "Key Employee Compensation Program"), as described herein, and as more fully set forth in Exhibit 2 attached hereto. The purpose of the Key Employee Compensation Program is to retain and incentivize Key Employees (as defined below) during the Debtors' restructuring period. The Debtors have worked closely with the Creditors' Committee on the development of the Key Employee Compensation Program and understand that the sub-committee of the Creditors' Committee created to review such program fully supports the relief requested herein.

BASIS FOR RELIEF

A. Importance of Key Employees

6. As the Debtors restructure, retaining key personnel with an understanding of the Debtors' operations and relationships with vendors, customers and other employees is crucial to the Debtors' ability to successfully emerge from chapter 11 protection. Because the Debtors anticipate conducting a stand-alone reorganization, it is also crucial that those employees who are best able to guide the Debtors to a successful turnaround be appropriately incentivized to maximize the financial performance of the Debtors' operations. The ability of the Debtors to execute their restructuring strategy will be impaired severely if they cannot retain key management employees.

7. In addition, the commencement of a bankruptcy case heightens employee concerns regarding possible job loss, and often increases employee responsibilities, creates longer hours and imposes other burdens as a result of a debtor's status as a debtor-in-possession. Thus, at a time when the Debtors most need the continued efforts and loyalty of Key Employees, they must ensure that they do not lose those employees to competitors or other employers who may be perceived as providing more stable employment opportunities. In order to address these concerns, the Debtors have developed the proposed Key Employee Compensation Program.

8. The Key Employee Compensation Program has been negotiated extensively with the Creditors' Committee, and the Debtors delayed the filing of this Motion in order to provide information to the Creditors' Committee and to obtain the support of the Creditors' Committee As a result of this collaborative effort, the relief requested herein has been approved by the key employee compensation sub-committee of the Creditors' Committee.

B. Development of the Key Employee Compensation Program

9. In order to address the problems related to potential Key Employee turnover during these cases, the Debtors began the process analyzing and developing a cost sensitive, yet effective, overall employee program. The Debtors first evaluated their existing compensation structure and incentive plans and obtained input from their board and senior executives to identify the Key Employees and consider the appropriate levels of incentives. The Debtors also received input from certain financial advisors, legal advisors and compensation experts, including Jefferies & Co., Inc. ("Jefferies"), Kroll Zolfo Cooper ("Kroll"), Watson Wyatt Worlwide ("Watson") and their counsel, Skadden, Arps, Slate, Meagher & Flom, LLP ("Skadden").

10. The Key Employee Compensation Program differs from other incentive programs and the issues raised in the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 in that the Key Employee Compensation Program does not

include a retention or stay component. The primary reason for the elimination of a retention component and the inclusion of a fully developed exit plan that has been approved by the Creditors' Committee is to focus the Key Employees and encourage them to complete an efficient and successful reorganization.

11. In developing the Key Employee Compensation Program, the Debtors considered specific incentive programs implemented by other retail companies in chapter 11, including, but not limited to, the following: The Athlete's Foot Stores, LLC, AmeriKing, Inc., Ames Department Stores, Inc., Bradlees Stores, Inc., Breuners Home Furnishings Corporation, Core-Mark Holdings Co., Factory 2-U Stores, Inc., Footstar, Inc., Frank's Nursery & Crafts, Inc., Gadzooks, Inc., Heilig-Meyers Company, KB Toys, Inc., Kmart Corp., New Weathervane Retail Corporation, Samuel Jewels, Inc., Spalding Holdings, Inc., Spiegel, Inc. and ZB Company, Inc.

12. For example, the key employee retention program approved in Ames Department Stores, Inc.[1] had three components. First, key employees could receive a retention bonus of up to 15% to 50% of annual base salaries. These bonuses were designed to incent employees to stay with the company through its reorganization. Second, the debtors modified the pre-petition incentive plan by reducing the amount

[1]In re Ames Department Stores, Inc., Case No. 01-42217 (REG) (Bankr. S.D.N.Y. December 2001)

of awards to just over half of the cost of the pre-petition program. Bonuses under the incentive plan were based on financial targets which, if met, would have allowed employees to receive a bonus between 3% and 20% of their annual base salary. If targets were exceeded, employees would receive a bonus between 6% and 40%. Third, the debtors implemented a severance plan which provided for severance payments of up to three times base salary for Ames' top executives.

13. In the experience of the Debtors' restructuring professionals, the structure of the Ames key employee retention programs are typical of most programs adopted by other chapter 11 debtors. Reviewing these and similar programs was helpful in developing a basis from which the Debtors could develop a plan suitable to their needs. Based on their analysis of the various programs, the Debtors, with the assistance of Jefferies, Watson, Kroll and Skadden, undertook the development of the Key Employee Compensation Program. As stated above, the Debtors also worked closely with the Creditors' Committee on the development of the Key Employee Compensation Program.

14. The Debtors determined that they required a program that would not only cause Key Employees to remain in the Debtors' employ during the chapter 11 cases, but which would also align the Key Employee's interests with the Debtors' stakeholders to encourage maximum effort and performance during the cases. To achieve those goals, the Debtors created an overall incentive program that

incorporates the most effective incentive components of the other employee plans the Debtors reviewed. Thereafter, the Debtors calculated the appropriate levels of compensation that would strike the correct balance between the Debtors' goals of retaining and motivating Key Employees while also being mindful of the duty to manage these estates in a fiscally responsible manner and maximize stakeholder recoveries.

15. As discussed above, the Debtors began to develop the Key Employee Compensation Program during January 2005 and over the past two months, the Debtors worked through their board of directors, the Company's advisors and the Creditors' Committee to refine the Key Employee Compensation Program. Specifically, the Debtors have crafted the Key Employee Compensation Program to ensure that the appropriate employees were included and were assigned levels of compensation designed to achieve the desired goals. Based on this analysis, the Debtors believe that (a) the Key Employee Compensation Program is reasonable in general and when compared against other plans approved in similar chapter 11 cases, (b) the value of the Key Employee Compensation Program to the eligible employees and the cost to the Debtors is consistent with the retention plans implemented by other chapter 11 companies of comparable size, and (c) the Key Employee Compensation Program strikes an appropriate balance between the employees' and the Debtors' concerns.

C. Summary of Key Employee Compensation Program[2]

Covered Employees

16. The proposed Key Employee Compensation Program covers two subsets of the Debtors' employees. One subset is comprised of 83, predominantly senior management-level employees who work at the company's headquarters, or "support center," in Savannah, Georgia (collectively, "Management"). The other subset of employees is comprised of approximately 3,000 non-management employees, including regional vice presidents, district managers, store managers, assistant store managers, sales personnel, and collections personnel and supervisors.

17. The proposed Key Employee Compensation Program as it relates to the 83 members of Management, is described in Exhibit 2 attached hereto. The proposed Key Employee Compensation Program as it relates to the approximately 3,000 non-management employees is described in Exhibit 3 attached hereto. In this motion, the Debtors only request authority to implement the Key Employee Compensation Program as it relates to Management described in Exhibit 2. The Debtors believe that the Program as it relates to non-management employees described in Exhibit 3 may be implemented in the ordinary course of business without Court approval. However, the Debtors have shared with the Creditors' Committee information

[2]The description of the Key Employee Compensation Program is intended as a summary only. The actual terms of the Key Employee Compensation Program set forth in Exhibit 2 shall control.

relating to this aspect of the Key Employee Compensation Program, and have included it as an attachment to this Motion, in the interests of full disclosure.

18. As can be seen in Exhibit 2, the Key Employee Compensation Program as it relates to Management has three components: (i) an annual incentive plan, (ii) a severance plan, and (iii) an exit plan. Noticeably absent from Exhibit 2 is any form of retention plan which, as noted above, would afford periodic payments to employees to reward them for staying with the company. The Debtors' board and senior executives considered and rejected the idea of including any such component in the Key Employee Compensation Program. Eligible employees therefore are not entitled to any additional compensation merely by staying with the company. Rather, their payments are tied to specific performance and emergence targets, and therefore are geared so as to incentivize employees to work towards an early and successful emergence from chapter 11.

Annual Incentive Plan

19. The annual incentive plan is designed to promote the Company's business turnaround by conditioning payments on employees' achievement of certain financial objectives. Specifically, the performance targets were developed in order to encourage participants to increase the Debtors' enterprise value, and thus increase value and returns for all stakeholders during the Debtors' chapter 11 cases. This particular component of the Key Employee Compensation Program is similar to the

Debtors' pre-petition annual incentive program previously approved by this Court.[3] However, the performance targets have been increased to further incentivize employees to create value.

20. Under the annual incentive plan, employees' eligibility to receive annual bonuses is dependent on whether Friedman's reaches its projected business plan EBITDAIR levels for the year. It is common under such plans, including many of those implemented by other retailers in chapter 11, to establish three levels of targeted performance based on 50%, 100%, and 150% of EBITDAIR. In other words, eligible employees are entitled to receive a bonus in a set amount if actual EBITDAIR is 50% of targeted EBITDAIR; their bonus increases if the company achieves 100% of targeted EBITDAIR; and their bonus is higher still if actual EBITDAIR is 150% of targeted EBITDAIR.

21. Here, because the 2005 business plan EBITDAIR levels were relatively modest, the Debtors have establishing higher targets that Management much reach before they will be eligible to receive any annual incentive bonuses. The targets here are 100%, 170%, and 200% of 2005 business plan EBITDAIR, respectively. Thus, if

[3] The pre-petition program was approved pursuant to this Court's Order (i) Authorizing the Debtors to Pay Prepetition Wages, Salaries, Directors' Fees and Employee Benefits, (ii) Authorizing the Debtors to Continue the Maintenance of Employee Benefit Programs in the Ordinary Course; and (iii) Directing All Banks to Honor Prepetition Checks for Payment of Prepetition Employee Obligations, entered January 20, 2005 (Docket No. 52).

Friedman's achieves 100% of 2005 business plan EBIDTAIR, eligible employees will receive a bonus as indicated in Exhibit 2 and described as "Threshold Incentive Bonus." If Friedman's achieves 170% of 2005 business plan EBIDTAIR, eligible employees will receive a bonus as indicated in Exhibit 2 and described as "Target Incentive Bonus." And if Friedman's achieves 200% of 2005 business plan EBITDAIR, eligible employees will receive a bonus as indicated in Exhibit 2 and described as "Stretch Incentive Bonus."

22. As an example, Exhibit 2 indicates that if Friedman's achieves 100% of 2005 business plan EBITDAIR, the chief executive officer is not entitled to any bonus. The same is true for each of the chief administrative officer, the executive vice president of stores, the chief merchant officer, the chief financial officer, and certain vice presidents. Rather, in order to be eligible for an incentive bonus, they must achieve 170% of projected business plan EBITDAIR for 2005. It is not the case, however, that if actual EBITDAIR is only 169% of 2005 business plan EBITDAIR, that they will receive no bonus. Rather, their entitlement to a bonus will be pro-rated if and as actual 2005 business plan EBITDAIR exceeds 100% of plan. This pro-ration will occur for all eligible members of Management described in Exhibit 2.

23. As another example, employees who are identified in Exhibit 2 as Level VI employees, are entitled to a bonus equal to 10% of their annual pay if

Friedman's achieves its 2005 business plan EBITDAIR projection. They will receive 20% of base pay if actual EBITDAIR is 170% of 2005 business plan EBITDAIR, and 35% of base pay if EBITDAIR is 200% of the 2005 business plan projected amount. If Friedman's achieves its business plan EBITDAIR for 2005, the total amount of annual incentive bonuses payable to all members of Management will be equal to $700,000, which is about 8.4% of the total amount of all such persons' base pay. The amount increases to $2.7 million and $4.2 million if actual EBITDAIR is 170% and 200%, respectively, of 2005 business plan EBITDAIR. There is clearly an incentive to outperform the projections.

Severance

24. During any reorganization process, when employees may be laid off or terminated, it is often difficult to recruit new employees and maintain current employees. Severance plans can mitigate the anxiety felt by employees and provide employees with certain desired protection and security, typically in the form of salary and health benefit continuation in the event employment is terminated by the company without cause and, in certain circumstances, may include other benefits such as job referral, reimbursement of relocation expenses and continued health insurance coverage.

25. In order to recruit and maintain employees, the Key Employee Compensation Program includes a severance component. The terms of the severance

plan are substantially similar to the Debtors' pre-petition program previously approved by this Court.[4] The differences between the pre-petition plan and the post-petition plan concerns employees in Levels V-VII on Exhibit 2 and in total amounts to approximately $1,550,000. As a general matter, under the plan, an employee who is involuntarily terminated as a result of a restructuring, a reduction in workforce, or a position elimination will be paid a portion of the employee's base salary.

26. As can be seen in Exhibit 2, severance payments for employees in the top three category levels are equal to 200% of annual base salary. Severance payments range in amounts equal to between two and twelve months of annual base pay for other employees. The Key Employee Compensation Program originally provided that severance payments for employees in the top three tiers also would include an amount equal to 200% of any bonuses earned in previous years. However, the Debtors have modified this provision so that in the event that the Company liquidates while in chapter 11 on or before December 31, 2006, such bonuses will be excluded from all severance calculations.

Exit Plan

27. Finally, as outlined in Exhibit 2, the Key Employee Compensation Program will afford eligible employees cash payments and, in some cases, options to

---

[4]See this Court's Final Order Authorizing the Debtors to Honor Certain Severance Obligations and to Maintain the Severance Program Going Forward, entered February 18, 2005 (Docket No. 243)

acquire stock in the new company upon emergence from chapter 11. The exit compensation plan is entirely new and is designed to incentivize employees to achieve a successful restructuring and to stay with the Company after emergence in order to continue its go-forward operations.

28. A total of 50% of the cash awards are payable upon emergence from chapter 11; 25% is payable six months thereafter; and the remaining 25% is payable on the first year anniversary of emergence. The exit plan payments also include granting options constituting up to 10% of the equity in the reorganized company to eligible employees. As illustrated in Exhibit 2, 8% of such options will be granted pursuant to assigned percentages to the chief executive officer, the chief administrative officer, the executive vice president of stores, the chief merchant officer, the chief financial officer and certain vice presidents. The remaining 2% will be reserved for employees covered under the Key Employee Compensation Program as approved by the compensation committee of the company's board of directors.

29. The exit plan further provides that in the event that certain objectives are achieved with respect to economic distributions to existing common stockholders, employees in Levels I-III as set forth in Exhibit 2 may be eligible for additional awards. These awards would be in the form of cash payments or additional stock options. The Key Employee Compensation Program provides that any criteria developed to determine eligibility for such awards must be approved by

the compensation committee of the company's board of directors and a Creditors' Committee.

30. The Key Employee Compensation Program contemplates that 100% of the options under the exit plan will be granted upon emergence, 50% of the options will vest at emergence at a nominal strike price, and 25% will vest on each of the first and second anniversaries of the emergence date at a strike price equivalent to the mid-point of the valuation range established by Jefferies in any disclosure statement approved by this Court.

31. Finally, the exit plan component of the Key Employee Compensation Program includes the establishment of a discretionary fund of $500,000 for use by the chief executive officer to offer cash awards to employees upon emergence to recognize their contribution to the reorganization efforts.

APPLICABLE AUTHORITY

32. Bankruptcy Code section 363(b)(1) permits a debtor-in-possession to use property of the estate "other than in the ordinary course of business" after notice and a hearing. 11 U.S.C. § 363(b)(1). Uses of estate property outside the ordinary course of business may be authorized if the debtor demonstrates a sound business justification for it. See In re Lionel Corp., 722 F.2d 1063, 1071 (2d Cir. 1983) (business judgment rule requires a finding that a good business reason exists to grant a debtor's application under section 363(b)); In re Delaware Hudson Ry. Co., 124

B.R. 169, 179 (Bankr. D. Del. 1991). Once the debtor articulates a valid business justification, "[t]he business judgment rule 'is a presumption that in making a business decision the directors of a corporation acted on an informed basis, in good faith and in the honest belief that the action was in the best interests of the company.'" In re Integrated Resources, Inc., 147 B.R. 650, 656 (S.D.N.Y. 1992).

33. Given the importance of the Debtors' employees to the Debtors' continued operations and the ultimate success of these chapter 11 cases, this Court should approve the relief requested herein. The Debtors have determined that the costs associated with the adoption of the Key Employee Compensation Program are more than justified by the benefits that are expected to be realized by encouraging the Key Employees to continue working for the Debtors and vigorously assisting in the Debtors' restructuring efforts. This is especially true in this case given the fact that a substantial amount of the payments under the Key Employee Compensation Program are conditioned on achievement of certain predetermined financial goals.[5]

34. Moreover, approval of the Key Employee Compensation Program will boost employee morale and forestall the loss of value that would be attendant to

[5]Since the proposed Key Employee Compensation Program is needed to retain employees -- who are in turn necessary for the preservation of the Debtors' estates -- the payment rights of the employees under the Program are "actual, necessary costs and expenses of preserving the [Debtors'] estate[s]," and should be accorded 11 U.S.C. § 503(b)(1)(A) administrative expense status to the extent they become due.

resignations among the Key Employees. The proposed relief therefore will enable the Debtors to retain the knowledge, experience and loyalty of the employees who are crucial to the Debtors' reorganization efforts. If these employees were to leave their current jobs at this stage in the Debtors' chapter 11 cases, it is virtually assured that the Debtors would not be able to attract replacement employees of comparable quality, experience, knowledge and character. Indeed, suitable new employees, even if available, would not have in-depth and historical knowledge of the Debtors' business. The time and costs incurred, and the learning curve necessarily involved in hiring replacements for employees, clearly outweighs the potential costs of payments made under the Key Employee Compensation Program.

35. In sum, the Debtors have determined in the exercise of their business judgment that it is essential that the Key Employees continue to focus their efforts on supporting and maintaining the Debtors' reorganization efforts in the coming months. Accordingly, the Debtors believe that granting the relief requested in this Motion is in the best interests of the Debtors' estates, their creditors, and other interested parties and should be approved. See, e.g., In re America West Airlines, Inc., 171 B.R. 674, 678 (Bankr. D. Ariz. 1994) (holding that proposal to pay bonuses on confirmation of reorganization plan was exercise of debtor's sound business judgment); In re Interco, Inc., 128 B.R. 229, 234 (Bankr. E.D. Mo. 1991) (concluding

that implementation of a critical employee retention plan was a proper exercise of debtor's business judgment).

36. No previous request for the relief sought herein has been made to this Court or any other court.

WHEREFORE, the Debtors respectfully request that the Court enter an order, substantially in the form attached hereto as Exhibit 1, (i) authorizing the implementation of the Key Employee Compensation Program as described herein, and (ii) granting such other and further relief as is just and proper.

Dated: Savannah, Georgia
March 11, 2005

Respectfully submitted

John Wm. Butler, Jr.
George N. Panagakis
Timothy P. Olson
SKADDEN, ARPS, SLATE, MEAGHER
& FLOM LLP
333 West Wacker Drive, Suite 2100
Chicago, Illinois 60606-1285
(312) 407-0700

and

By: Kathleen Horne
Kathleen Horne (Ga. Bar No. 367456)
Dolly Chisholm (Ga. Bar No. 124922)
Matthew Mills (Ga. Bar No. 509718)
INGLESBY, FALLIGANT, HORNE,
COURINGTON & CHISHOLM,
A Professional Corporation
17 West McDonough Street, P.O. Box 1368
Savannah, Georgia 31402-1368
(912) 232-7000

Attorneys for Debtors and
Debtors-in-Possession

EXHIBIT 1

PROPOSED ORDER

(Without Exhibits)

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF GEORGIA
SAVANNAH DIVISION**

In re:	)	Case No. 05-40129
	)	
FRIEDMAN'S INC., et al.,	)	Chapter 11
	)	Jointly Administered
	)	
	)	Hon. Lamar W. Davis, Jr.
Debtors.	)	

**ORDER AUTHORIZING THE DEBTORS TO
IMPLEMENT A KEY EMPLOYEE COMPENSATION PROGRAM**

Upon the motion dated March 11, 2005 (the "Motion")[1] wherein Friedman's Inc. ("Friedman's") and seven of its subsidiaries and affiliates (the "Affiliate Debtors"), debtors and debtors-in-possession in the above-captioned cases (collectively, the "Debtors" or the "Company"), moved for an order pursuant to sections 105(a) and 363(b)(1) authorizing the Debtors to implement a key employee compensation program; and it appearing to the Court that (i) it has jurisdiction over the matters raised in the Motion pursuant to 28 U.S.C. §§ 157 and 1334; (ii) this is a core proceeding pursuant to 28 U.S.C. § 157(b)(2); (iii) the relief requested in the Motion is in the best interests of the Debtors, their estates and their creditors; and (iv)

[1]Capitalized terms used but not otherwise defined herein shall have the meanings given such terms in the Motion.

proper and adequate notice of the Motion and the hearing thereon has been given and that no other or further notice is necessary

IT IS HEREBY FOUND AND DETERMINED THAT:

A. A sound business justification exists for entering into the Key Employee Compensation Program ;

B. The Key Employee Compensation Program is fair and reasonable and was proposed in good faith; and

C. The implementation of the Key Employee Compensation Program is in the best interest of the Debtors, their estates, creditors and interest holders and necessary to the Debtors' reorganization efforts; and it is therefore

ORDERED, ADJUDGED, AND DECREED THAT

1. The Motion is GRANTED.

2. The Key Employee Compensation Program is approved in all respects and the Debtors are authorized, pursuant to 11 U.S.C. §§ 105(a) and 363(b)(1), to take all necessary actions to implement the Key Employee Compensation Program on the terms and conditions set forth in the Motion and as detailed in Exhibit 1 attached hereto.

3. The Key Employees are entitled to payments under the Key Employee Compensation Program.

4. The payment to which a Key Employee is entitled under the Key Employee Compensation Program shall be accorded administrative expense status and priority under sections 503(b)(1)(A) and 507(a)(1) of the Bankruptcy Code.

5. The Court shall retain jurisdiction over the Debtors and the Key Employees participating in the Key Employee Compensation Program including, without limitation, for the purposes of interpreting, implementing and enforcing the terms and conditions of the Key Employee Compensation Program.

So Ordered in Savannah, Georgia this ___ day of March, 2005

Honorable Lamar W. Davis, Jr.
United States Bankruptcy Judge

Order prepared by:

John Wm. Butler, Jr.
George N. Panagakis
Timothy P. Olson
SKADDEN, ARPS, SLATE, MEAGHER
& FLOM LLP
333 West Wacker Drive, Suite 2100
Chicago, Illinois 60606-1285
(312) 407-0700

and

Kathleen Horne (Ga. Bar No. 367456)
Dolly Chisholm (Ga.. Bar No. 124922)
Matthew Mills (Ga. Bar No. 509718)
INGLESBY, FALLIGANT, HORNE, COURINGTON
& CHISHOLM, A Professional Corporation
17 West McDonough Street, P.O. Box 1368
Savannah, Georgia 31402-1368
(912) 232-7000

Attorneys for Debtors and
Debtors-in-Possession

EXHIBIT 2

OVERVIEW OF KEY EMPLOYEE COMPENSATION PROGRAM

Overview of Key Employee Compensation Program ("KECP")[1]

				Annual Incentive Plan [2]			Severance		Exit Plans [3]	
Level	Position	Approx. Positions Eligible	Total Base Pay[4]	Threshold Base Pay %	Target Base Pay %	Stretch Base Pay %	Average Months	Dollars [5]	Cash Payment Base Pay	Options Per Position
I	CEO	1	$ 750,000	–	100%	125%	–	$ 1,500,000	167%	3.250%
II	CAO	1	300,000	–	40%	75%	–	600,000	125%	1.375%
III	EVP Stores, CMO, CFO	3	900,000	–	40%	75%	–	1,800,000	83%	0.875%
IV	VP Level II	3	550,000	–	35%	60%	12	550,000	50%	0.250%
V	VP Level I	12	1,600,000	20%	35%	50%	12	1,600,000	20%	0.000%
VI	Director	23	2,000,000	10%	20%	35%	6	1,000,000	10%	0.000%
VII	Buyer/Loss Prevention	11	700,000	10%	20%	35%	6	350,000	10%	0.000%
VIII	Manager	29	1,500,000	5%	10%	20%	2	250,000	5%	0.000%
	Reserve Grants								$500,000[6]	2.000%[7]
	Estimated Total	83	$ 8,300,000	$ 700,000	$2,700,000	$4,200,000		$ 7,650,000	$3,300,000	10.000%
	Percent of Total Base Pay			8.4%	32.5%	50.6%		92.2%	40.0%	

(1) The compensation plans for the Stores and Collection Center Organizations were developed in the ordinary course by the Company and were described in the Motion for disclosure purposes only and will be implemented without further order of the Bankruptcy Court. Any awards for new positions are not included in the KECP and must be approved by the Compensation Committee of the Board and are incremental to the KECP.
(2) For 2005, the EBITDAIR targets at each of Threshold, Target and Stretch Base Pay amounts are 100%, 170% and 200% of projected 2005 Business Plan EBITDAIR, respectively. These bonuses will be pro-rated once 2005 Business Plan EBITDAIR has been achieved.
(3) Additional award gives a maximum of 1x cash emergence payments and 0.5x stock option emergence grants to each position in Tiers I – III if certain objectives are accomplished that would result in economic recovery to existing common stock of the Company. Any criteria developed must be approved by the Compensation Committee of the Board and the Official Committee of Unsecured Creditors.
(4) Base pay for individual employees is adjusted from time-to-time in the ordinary course by the Company.
(5) For Levels I, II, and III Severance is based on (1) Two times Annual Base Salary, plus (2) Two times the greater of (a) Most recent annual incentive bonus, or (2) Mean of annual incentive bonus for two most recent years. For Level IV Severance is based on: (1) One times Annual Base Salary, plus (2) One times the greater of (a) Most recent annual incentive bonus, or (b) Mean of annual incentive bonus for two most recent years. Other support center associates have approximately $400,000 of severance benefits. In the unlikely event that the Company winds down operations in current Ch. 11 cases prior to December 31, 2006, severance calculations shall be modified to exclude any bonuses paid by the Company in connection with the KECP.
(6) This represents a CEO discretionary fund of $500,000 for emergence awards.
(7) Reserve option grants are subject to approval by the Compensation Committee of the Board.

Detail Re: Key Employee Compensation Program

Plan	Timing	Purpose	Eligibility	Benefit Levels: Performance Measurement Period	Benefit Levels: Performance Measures	Benefit Levels: Performance Levels and Award Opportunity	Payout Form	Vesting and Payout Schedule
ANNUAL INCENTIVE PLAN (1)	Authorized in First Day Order	Focus participant attention on financial turnaround/business improvement	Tier I CEO II CAO III EVP Stores, CMO, CFO IV VP Level II V VP Level I VI Director VII Buyer/LP VIII Manager	Annual Concurrent with Company's Business Plan	EBITDA & functional Department objectives	Tier / Threshold / Target / Stretch I – 100% 125% II – 40% 75% III – 40% 75% IV – 35% 60% V 20% 35% 50% VI 10% 20% 35% VII 10% 20% 35% VIII 5% 10% 20%	Cash	Vesting Schedule December 31 Payout Schedule On or before March 15
RETENTION / STAY PAYMENTS	None	None	None	None	None	None	None	None
INCENTIVE PLAN AT EXIT			Eligibility	Performance Measurement Period	Performance Measures	Performance Levels and Award Opportunity (2)		
■ CHAPTER 11 EMERGENCE PAYMENTS	To be filed after Creditors' Committee is appointed	Reward key associates for successful exit from Chapter 11	Tier I CEO II CAO III EVP Stores, CMO, CFO IV VP Level II V VP Level I VI Director	Duration of court supervised restructuring	Successful exit from bankruptcy reorg.	Tier / Percent of Base Salary I 167% II 125% III 83% IV 50% V 20% VI 10% VII 10% VIII 5%	Cash	Vesting Schedule 50% Upon exit 25% Six months after exit 25% One year after exit
■ CHAPTER 11 EMERGENCE EQUITY GRANTS	To be filed after Creditors' Committee is appointed	Reward key associates for successful exit from Chapter 11 and create management ownership in reorganized Company	Tier I CEO II CAO III EVP Stores, CMO, CFO IV VP Level II	Duration of court supervised restructuring	Successful exit from bankruptcy reorg.	Position / Percent of New Equity Per Position CEO 3.25% CAO 1.375% EVP Stores, CMO, CFO 0.875% VP Level II 0.25% Reserve Grants 2.00% (3) Total 10.00%	Options	Granted upon exit Vesting Schedule: 50% Upon exit 25% One year after exit 25% Two years after exit

(1) For 2005, the EBITDAIR targets at each of Threshold, Target and Stretch Base Pay amounts are 100%, 170% and 200% of projected 2005 Business Plan EBITDAIR, respectively. These bonuses will be pro-rated once 2005 Business Plan EBITDAIR has been achieved.
(2) Additional award gives a maximum of 1x cash emergence payments and 0.5x stock option emergence grants to each position in Tiers I – III if certain objectives are accomplished that would result in economic recovery to existing common stock of the Company. Any criteria developed must be approved by the Compensation Committee of the Board and the Official Committee of Unsecured Creditors.
(3) Reserve option grants are subject to approval by the Compensation Committee of the Board.

Detail Re: Key Employee Compensation Program (Cont'd)

Plan	Timing	Purpose	Benefit Levels				Payout Form	Vesting and Payout Schedule
			Eligibility	Performance Measurement Period	Performance Measures	Performance Levels and Award Opportunity		
SEVERANCE PLAN	Authorized in First Day Order; KECP enhanced severance for Tiers 5 – 7	Provide protection to eligible Associates in the event of job loss	Associates terminated by the Company without cause	Tier	Position Title	Severance Formula [1]	Lump Sum Cash	Vesting Upon termination Payout Within 30 business days of termination date.
				I	CEO	2.0 x Total Cash Compensation		
			Ineligibility	II	CAO	2.0 x Total Cash Compensation		
			Associates:	III	EVP Stores, CMO, CFO	2.0 x Total Cash Compensation		
			(1) Terminated by the Company with cause	IV	VP Level II	1 x Total Cash Compensation		
			(2) Who voluntarily resign	V	VP Level I	1 x Annual Base Salary		
				VI	Support Center Director	½ x Annual Base Salary		
				VII	Buyer/Loss Prevention	½ x Annual Base Salary		
				VIII	Support Center Manager	Based on years of service		
				IX	All Other Associates	Based on years of service		
				Levels I – IV receive continuation of medical benefits for up to one year.			Premium Reimbursement	Duration of severance period or until receipt of benefits upon re-employment

(1) For Level I, II, and III Severance is based on: (1) Two times Annual Base Salary, plus (2) Two times the greater of (a) Most recent annual incentive payment, or (b) Mean of annual incentive payment for two most recent years
For Level IV Severance is based on: (1) One times Annual Base Salary, plus (2) One times the greater of (a) Most recent annual incentive payment, or (b) Mean of annual incentive payment for two most recent years
* No annual incentive payment paid to any incumbents at these levels

EXHIBIT 3

OVERVIEW OF COMPENSATION PLAN FOR STORES AND COLLECTION CENTER ORGANIZATIONS

Overview of Key Employee Compensation Program ("KECP")(1)

Level	Position	Approx. Positions Eligible	Total Base Pay(4)	Annual Incentive Plan (2)			Severance		Exit Plans (3)	
				Threshold Base Pay %	Target Base Pay %	Stretch Base Pay %	Average Months	Dollars (5)	Cash Payment Base Pay	Options Per Position
I	CEO	1	$ 750,000	–	100%	125%	–	$ 1,500,000	167%	3.250%
II	CAO	1	300,000	–	40%	75%	–	600,000	125%	1.375%
III	EVP Stores, CMO, CFO	3	900,000	–	40%	75%	–	1,800,000	83%	0.875%
IV	VP Level II	3	550,000	–	35%	60%	12	550,000	50%	0.250%
V	VP Level I	12	1,600,000	20%	35%	50%	12	1,600,000	20%	0.000%
VI	Director	23	2,000,000	10%	20%	35%	6	1,000,000	10%	0.000%
VII	Buyer/Loss Prevention	11	700,000	10%	20%	35%	6	350,000	10%	0.000%
VIII	Manager	29	1,500,000	5%	10%	20%	2	250,000	5%	0.000%
	Reserve Grants								$500,000(6)	2.000%(7)
	Estimated Total	**83**	**$ 8,300,000**	**$ 700,000**	**$2,700,000**	**$4,200,000**		**$ 7,650,000**	**$3,300,000**	**10.000%**
	Percent of Total Base Pay			**8.4%**	**32.5%**	**50.6%**		**92.2%**	**40.0%**	

(1) The compensation plans for the Stores and Collection Center Organizations were developed in the ordinary course by the Company and were described in the Motion for disclosure purposes only and will be implemented without further order of the Bankruptcy Court. Any awards for new positions are not included in the KECP and must be approved by the Compensation Committee of the Board and are incremental to the KECP.
(2) For 2005, the EBITDAIR targets at each of Threshold, Target and Stretch Base Pay amounts are 100%, 170% and 200% of projected 2005 Business Plan EBITDAIR, respectively. These bonuses will be pro-rated once 2005 Business Plan EBITDAIR has been achieved.
(3) Additional award gives a maximum of 1x cash emergence payments and 0.5x stock option emergence grants to each position in Tiers I – III if certain objectives are accomplished that would result in economic recovery to existing common stock of the Company. Any criteria developed must be approved by the Compensation Committee of the Board and the Official Committee of Unsecured Creditors.
(4) Base pay for individual employees is adjusted from time-to-time in the ordinary course by the Company.
(5) For Levels I, II, and III Severance is based on (1) Two times Annual Base Salary, plus (2) Two times the greater of (a) Most recent annual incentive bonus, or (2) Mean of annual incentive bonus for two most recent years. For Level IV Severance is based on: (1) One times Annual Base Salary, plus (2) One times the greater of (a) Most recent annual incentive bonus, or (b) Mean of annual incentive bonus for two most recent years. Other support center associates have approximately $400,000 of severance benefits. In the unlikely event that the Company winds down operations in current Ch. 11 cases prior to December 31, 2006, severance calculations shall be modified to exclude any bonuses paid by the Company in connection with the KECP.
(6) This represents a CEO discretionary fund of $500,000 for emergence awards.
(7) Reserve option grants are subject to approval by the Compensation Committee of the Board.

Detail Re: Key Employee Compensation Program

Plan	Timing	Purpose	Eligibility	Benefit Levels: Performance Measurement Period	Benefit Levels: Performance Measures	Benefit Levels: Performance Levels and Award Opportunity	Payout Form	Vesting and Payout Schedule
ANNUAL INCENTIVE PLAN [1]	Authorized in First Day Order	Focus participant attention on financial turnaround/business improvement	**Eligibility** Tier I CEO II CAO III EVP Stores, CMO, CFO IV VP Level II V VP Level I VI Director VII Buyer/LP VIII Manager	Annual Concurrent with Company's Business Plan	EBITDA & functional Department objectives	Tier / Threshold / Target / Stretch I / – / 100% / 125% II / – / 40% / 75% III / – / 40% / 75% IV / – / 35% / 60% V / 20% / 35% / 50% VI / 10% / 20% / 35% VII / 10% / 20% / 35% VIII / 5% / 10% / 20%	Cash	**Vesting Schedule** December 31 **Payout Schedule** On or before March 15
RETENTION / STAY PAYMENTS	None	None	None	None	None	None	None	None
INCENTIVE PLAN AT EXIT			Eligibility	Performance Measurement Period	Performance Measures	Performance Levels and Award Opportunity [2]		
■ CHAPTER 11 EMERGENCE PAYMENTS	To be filed after Creditors' Committee is appointed	Reward key associates for successful exit from Chapter 11	Tier I CEO II CAO III EVP Stores, CMO, CFO IV VP Level II V VP Level I VI Director	Duration of court supervised restructuring	Successful exit from bankruptcy reorg.	Tier / Percent of Base Salary I / 167% II / 125% III / 83% IV / 50% V / 20% VI / 10% VII / 10% VIII / 5%	Cash	**Vesting Schedule** 50% Upon exit 25% Six months after exit 25% One year after exit
■ CHAPTER 11 EMERGENCE EQUITY GRANTS	To be filed after Creditors' Committee is appointed	Reward key associates for successful exit from Chapter 11 and create management ownership in reorganized Company	Tier I CEO II CAO III EVP Stores, CMO, CFO IV VP Level II	Duration of court supervised restructuring	Successful exit from bankruptcy reorg.	Position / Percent of New Equity Per Position CEO / 3.25% CAO / 1.375% EVP Stores, CMO, CFO / 0.875% VP Level II / 0.25% Reserve Grants / 2.00% [3] Total / 10.00%	Options	Granted upon exit Vesting Schedule: 50% Upon exit 25% One year after exit 25% Two years after exit

(1) For 2005, the EBITDAIR targets at each of Threshold, Target and Stretch Base Pay amounts are 100%, 170% and 200% of projected 2005 Business Plan EBITDAIR, respectively. These bonuses will be pro-rated once 2005 Business Plan EBITDAIR has been achieved.
(2) Additional award gives a maximum of 1x cash emergence payments and 0.5x stock option emergence grants to each position in Tiers I – III if certain objectives are accomplished that would result in economic recovery to existing common stock of the Company. Any criteria developed must be approved by the Compensation Committee of the Board and the Official Committee of Unsecured Creditors.
(3) Reserve option grants are subject to approval by the Compensation Committee of the Board.

Detail Re: Key Employee Compensation Program (Cont'd)

Plan	Timing	Purpose	Benefit Levels				Payout Form	Vesting and Payout Schedule
			Eligibility	Performance Measurement Period *	Performance Measures	Performance Levels and Award Opportunity		
SEVERANCE PLAN	Authorized in First Day Order; KECP enhanced severance for Tiers 5 – 7	Provide protection to eligible Associates in the event of job loss	Associates terminated by the Company without cause	**Tier**	**Position Title**	**Severance Formula** (1)	Lump Sum Cash	**Vesting** Upon termination **Payout** Within 30 business days of termination date.
				I	CEO	2.0 x Total Cash Compensation		
			Ineligibility	II	CAO	2.0 x Total Cash Compensation		
			Associates:	III	EVP Stores, CMO, CFO	2.0 x Total Cash Compensation		
			(1) Terminated by the Company with cause	IV	VP Level II	1 x Total Cash Compensation		
				V	VP Level I	1 x Annual Base Salary		
			(2) Who voluntarily resign	VI	Support Center Director	½ x Annual Base Salary		
				VII	Buyer/Loss Prevention	½ x Annual Base Salary		
				VIII	Support Center Manager	Based on years of service		
				IX	All Other Associates	Based on years of service		
				Levels I – IV receive continuation of medical benefits for up to one year.			Premium Reimbursement	Duration of severance period or until receipt of benefits upon re-employment

(1) For Level I, II, and III Severance is based on: (1) Two times Annual Base Salary, plus (2) Two times the greater of (a) Most recent annual incentive payment, or (b) Mean of annual incentive payment for two most recent years
For Level IV Severance is based on: (1) One times Annual Base Salary, plus (2) One times the greater of (a) Most recent annual incentive payment, or (b) Mean of annual incentive payment for two most recent years
* No annual incentive payment paid to any incumbents at these levels